
STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: September 2, 2005

PAYROLL LETTER # 05-010
Civil Service Only

TO: All Agencies in the Uniform State Payroll System

FROM: JOHN R. HARRIGAN, Chief
Personnel/Payroll Services Division

RE: **IMPLEMENTATION OF THE STATE DISABILITY INSURANCE PROGRAM**

This letter provides information regarding implementation of the State Disability Insurance (SDI) Program. Assembly Bill No. 2149 permits the State to elect to participate in SDI. As a result of collective bargaining agreements with SEIU and the Department of Personnel Administration (DPA), all rank and file employees in bargaining units 1, 3, 4, 11, 14, 15, 17, 20 and 21 will be covered under the SDI benefit in lieu of a Non-Industrial Disability Insurance (NDI) benefit. Refer to DPA Personnel Management Liaisons Memo Reference Code: 2005 – 015 and 2005 – 020 for details on SDI.

The Employment Development Department (EDD) administers the SDI Program, processes claims and issues SDI benefit payments. The State Controller's Office calculates and withholds the deduction from eligible employees' earnings and remits monies to EDD.

IMPLEMENTATION

SDI will be implemented in September 2005. Deductions will be applied to all SDI eligible payments earned in the September 2005 or later pay period with an October 1, 2005 or later issue date. All payment types are subject to SDI withholdings except 3, 4, 5, 6, E, I, K, N, P, T and U. The Flexible Benefit Cash Option, Consolidated Benefit Cash Option and Consolidated Benefit Cash Excess are subject to SDI regardless of payment type.

SDI CURRENT MONTH WITHHOLDINGS

SDI withholdings will be automatically calculated and withheld from eligible earnings beginning with the September 2005 Master Payroll. SDI is an employee paid benefit, there is no employer contribution/state share associated with SDI. The 2005 SDI withholding rate is 1.08% of eligible earnings up to \$79,418 annually, with an annual maximum contribution amount of \$857.71. Both the withholding rate and the wage limit are set pursuant to Section 984 of the California Unemployment Insurance Code. The withholding rate is reviewed annually and subject to change at the beginning of each calendar year. The withholding is applied on a post-tax basis.

ADJUSTMENTS

SDI arrears/adjustments are identified with Deduction Code 600, no organization code.

FORM W-2

SDI withholdings will be reported on the Form W-2/W-2C in Box 14 as ‘CASDI’ (California State Disability Insurance).

DISPOSABLE EARNINGS

SDI withholdings are considered a mandatory deduction and will be treated in the same manner as other mandatory deductions when calculating disposable earnings.

CHILD SUPPORT PAYMENTS

Delinquent child support payments will be withheld from SDI payments if requested from the Department of Child Support Services (DCSS). Because EDD issues SDI payments directly to the employee, the departments will not know if child support is being withheld from SDI payments. When the employee returns to work, contact the DCSS to determine if a corrected Salary Garnishment STD 639 is needed. Questions about child support obligations or over collections should be directed to the DCSS at 1-866-249-0773.

ACCOUNTS RECEIVABLE (A/R) OFFSET – LEAVE CREDIT USE CALCULATION

Leave credit payments are subject to SDI withholding. Therefore, beginning with the September 2005 pay period issue dated October 1, 2005 or later, include the SDI withholding in the computation used to determine the number of leave credits to satisfy the A/R.

NON-UNIFORM STATE PAYROLL SYSTEM (NON-USPS)/FRINGE BENEFITS

Fringe benefits are subject to SDI withholding. The current automated monthly process used to adjust taxes has been modified to include SDI withholding.

EMPLOYMENT HISTORY

Once an employee has contributed to the SDI program for 6 months the employee is eligible to request SDI benefits from EDD. When the employee has completed the 7-calendar day waiting period, complete and key enter an S50, Leave of Absence, PAR transaction to the employee’s employment history record. The S50 PAR transaction should be completed as indicated in PAM Section 3.232 and per the instructions below.

In Item 603, Reason for Separation enter:

Code 35 – Employee on a State Disability Insurance leave of absence and eligible for FMLA benefits or

Code 36 - Employee on a State Disability Insurance leave of absence and NOT eligible for FMLA benefits

If the employee’s FMLA status changes while on SDI leave of absence, process a new S50 transaction with the correct separation reason code. The effective date of the S50 transaction should be the date of the FMLA status change. If an employee is eligible for continuing

payment of medical benefits under the FMLA refer to the PPM section H826 for documentation instructions.

In Item 645, Separation Expiration Date enter:

The anticipated date the employee will return to work if known or if not known, the date that is one year from the S50 transaction effective date (Item 210) that initially placed the employee on SDI leave of absence.

S50 transactions processed with separation reason code 35 or 36 will generate a NOPA message indicating that the employee is on a SDI leave of absence.

When the employee returns to work, process an A03 PAR transaction per instructions in PAM Section 3.42.

PAYCHECK CALCULATOR

The online Paycheck Calculator has been modified to include SDI withholdings. It will be available on the Controller's Office website on September 15, 2005 in preparation for the October 1, 2005 SDI implementation.

INDUSTRIAL DISABILITY LEAVE (IDL) – REDUCED GROSS CALCULATION AND IDL SUPPLEMENTATION (IDL/S) CALCULATOR

SDI withholdings are considered a mandatory deduction and will be treated in the same manner as other mandatory deductions when calculating the reduced gross for EIDL and IDL full benefits. The IDL/S Calculator will be modified and departments will be notified when the changes are completed.

MANAGEMENT INFORMATION RETRIEVAL SYSTEM (MIRS)

Field 'Reason For Separation', Item 603 located on the Employment History record is available on MIRS and may be used to identify employees on SDI leave.

YEAR-TO-DATE INQUIRY (TAXI) SYSTEM AND STATEMENT OF EARNINGS AND DEDUCTIONS/DIRECT DEPOSIT ADVICE

SDI and SDI arrears earnings and withholdings will be displayed on the Year-To-Date Detail 2 and Year-To-Date Totals screens. On the Year-To-Date Detail 2 screen the SDI earnings are displayed under the heading 'SDI', subheading 'EE-TX-GRS' and the withholding is displayed under the subheading 'TX-WHELD'. SDI arrears earnings are displayed under the heading 'SDI ARRS' subheading 'ARRS-GRS', the arrears withholding is displayed under the subheading 'DED-AMTS'. The Year-To-Date Totals screen will display the SDI earnings and withheld amount in the 'SDI TAX GROSS' and 'SDI WITHHELD' fields.

SDI deductions will be listed on the Statement of Earnings and Deductions/Direct Deposit Advice in the Deductions area. Monthly deductions will be listed under the heading 'CASDI'. Arrears deductions will be listed as 'CASDI ADJ'.

PAYMENT HISTORY INQUIRY SYSTEM (HIST)

SDI is a mandatory deduction and will be displayed on the Payment Detail page on HIST. It will reside where the 2nd State Tax currently resides. The SDI gross, withheld amount and employer withheld amount fields will be displayed. The employer information fields will reflect zeros at this time. The 2nd State Tax will be moved to the Miscellaneous Deductions page and will be displayed only if non-zero amounts are present.

SDI arrears deductions will be displayed on the Miscellaneous Deductions page as deduction code 600, Deduction Type 'DI'. Deduction amount, arrears pay period, SDI earnings, quarter, issue year, employer withheld and employer gross fields will also be displayed. The employer information fields will reflect zeros at this time. These fields are being included for potential future use.

CONTACTS

General questions concerning this letter may be directed to Sandy Westlake at (916) 324-9008 or by email at Swestlake@sco.ca.gov. Payroll withholding questions may be directed to Disability Liaison at (916) 322-3619. Additional information concerning SDI is available on the EDD website at <http://www.edd.ca.gov/direp/diind.htm> and the DPA website at <http://www.dpa.ca.gov>.

Revisions to the Payroll Procedures Manual and the Personnel Action Manual are forthcoming.

JRH:SW:PMAB